

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Joint Construction Code Authority		County Isabella	
Fiscal Year End 03-31-2007		Opinion Date 9-10-07		Date Audit Report Submitted to State 9-12-07			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

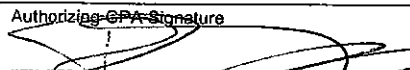
$\frac{S}{U} \geq \frac{O}{Z}$

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. *General Fund Budget*
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☐ ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). *OCBOA presentation - CASH BASIS*
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Page, Olson & Company, P.C., CPA's		Telephone Number 989-773-5494		
Street Address 2865 South Lincoln Road - P.O. Box 368		City Mount Pleasant	State MI	Zip 48804
Authorizing CPA Signature 		Printed Name Bobbie Jo Marr		License Number 1101026172

JOINT CONSTRUCTION CODE AUTHORITY
AUDITED FINANCIAL STATEMENTS AND
REPORT OF COMMENTS AND RECOMMENDATIONS
YEAR ENDED MARCH 31, 2007

JOINT CONSTRUCTION CODE AUTHORITY
YEAR ENDED MARCH 31, 2007

TABLE OF CONTENTS

	<u>Page Number</u>
<u>INTRODUCTORY SECTION</u>	
Board Officials	1
<u>FINANCIAL SECTION</u>	
Independent Auditors Report	3-4
<u>Statements</u> Basic Financial Statements	
Fund Financial Statements:	
I Statement of Assets and Liabilities Arising from Cash Transactions - Special Revenue Fund	5
II Statement of Revenue Collected, Expenditures Paid, and Changes in Fund Balances - Special Revenue Fund	6
Notes to the Financial Statements	7 - 9
<u>Schedules</u> Supplementary Information	
Required Supplementary Information:	
1 Budgetary Comparison Schedule - Special Revenue Fund	13
Audit Communication and Report of Comments and Recommendations	15 - 19

JOINT CONSTRUCTION CODE AUTHORITY
BOARD OFFICIALS
YEAR ENDED MARCH 31, 2007

CHAIRPERSON

Jim Faber

SECRETARY

Dan Shaw

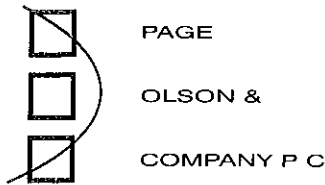
TREASURER

Shirlee Van Bonn

TRUSTEE

Darrell Metcalf

Lynn Wyatt



INDEPENDENT AUDITORS' REPORT

September 10, 2007

Authority Board
 Joint Construction Code Authority
 Townships of Fremont, Rolland,
 Nottawa, Deerfield, and Sherman
 Isabella County, Michigan

We have audited the accompanying statements of assets and liabilities arising from cash transactions of Joint Construction Code Authority as of March 31, 2007 and the related statement of revenue collected and expenditures paid for the year then ended, as listed in the Table of Contents. These financial statements are the responsibility of the management of Joint Construction Code Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in the Summary of Significant Accounting Policies, Note 1-C, the Authority prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

As described in Note 1-C, the Authority prepared these financial statements using the minimum accounting practices prescribed by the Michigan Department of Treasury to demonstrate compliance with the State's accounting and budget laws, which practices differ from accounting principles generally accepted in the United States of America. The financial statements referred to above do not include the Management's Discussion and Analysis or the Government-wide statement presentation that should be included in order to conform with accounting principles generally accepted in the United States of America.

Authority Board
Joint Construction Code Authority
Townships of Fremont, Rolland,
Nottawa, Deerfield, and Sherman
Isabella County, Michigan

In our opinion, because of the omission of the Government-wide financial statements and the Management's Discussion and Analysis, the financial statements do not present fairly the assets, liabilities, and cash basis fund balance of the individual funds of the Joint Construction Code Authority as of March 31, 2007, arising from the cash transactions and its revenue collected, expenditures paid and changes in cash basis fund balance for the year ended, in conformity with the basis of the accounting described in Note 1-C.

The budgetary comparison on page 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board and the State of Michigan. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Joint Construction Code Authority as listed in the table of contents. The information listed in the table of contents as other supplementary information and additional financial data are presented for purposes of additional analysis and are not a required part of the basic financial statements. Supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our report of comments and recommendations is included herein and forms a part of this report.

Page, Olson & Company

**JOINT CONSTRUCTION CODE AUTHORITY
STATEMENT OF ASSETS AND LIABILITIES ARISING
FROM CASH TRANSACTIONS - SPECIAL REVENUE FUND
MARCH 31, 2007**

Statement I

Assets

Cash and Cash Equivalents	\$ 5,235
Petty Cash	<u>200</u>

Total Assets	<u>\$ 5,435</u>
---------------------	------------------------

Fund Balance	<u>\$ 5,435</u>
---------------------	------------------------

The accompanying notes are an integral part of the financial statements.

**JOINT CONSTRUCTION CODE AUTHORITY
STATEMENT OF REVENUE COLLECTED, EXPENDITURES
PAID, AND CHANGES IN FUND BALANCE - SPECIAL REVENUE FUND
YEAR ENDED MARCH 31, 2007**

Revenue	
Permit Fees	\$ 73,774
Clerical Fees	5,923
Interest Earnings	47
Miscellaneous	<u>531</u>
Total Revenue	80,275
Expenditures	
GENERAL GOVERNMENT	
Authority Board	10,188
Inspections	65,663
Building and Grounds	<u>7,660</u>
Total General Government	<u>83,511</u>
Excess Revenue Collected Over (Under)	
Expenditures Paid	(3,236)
Fund Balance - April 1	<u>8,671</u>
Fund Balance - March 31	<u>\$ 5,435</u>

The accompanying notes are an integral part of the financial statements.

**JOINT CONSTRUCTION CODE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The five local units of government participating in the Joint Construction Code Authority as of March 31, 2007 include Fremont, Rolland, Nottawa, Deerfield, and Sherman Townships. Each has adopted similar Building and Construction Codes. The Joint Construction Code Authority is established as a distinct and separate entity. This is set up specifically to administer and enforce the building and construction codes adopted by each of the participating local units of government; to set, collect and deposit fees for permits and inspections; and to hire sufficient building inspectors.

A. FINANCIAL REPORTING ENTITY

In evaluating how to define the government, for financial reporting purposes, management has considered all potential agencies and organizations. The decision to include a potential agency or organization in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board (GASB) Statement 14. Generally, component units are legally separate organizations for which the elected officials of the Authority are financially accountable. Financial accountability is determined by the Authority's ability to impose its will on the component unit, as well as the unit's significance regarding operational and financial relationship with the Authority. Based upon the application of this criteria there were no other units to be included in the financial statements.

B. FUND ACCOUNTING

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures as appropriate. The various funds of the Authority are as follows:

The Authority consists of only one fund, a Special Revenue Fund, used to account for specific governmental revenue requiring separate accounting because of legal or regulatory provisions or administrative action. The revenue, mainly inspection fees, is used to provide inspection services.

C. BASIS OF ACCOUNTING AND PRESENTATION

The accounting books and records of Joint Construction Code Authority are maintained on a cash basis of accounting during the year and the financial statements have been prepared directly from these books and records. The financial statements do not, therefore, give effect to accounts receivable, accounts payable, and accrued items. Additionally, it does not give effect to the recording of capital assets or related depreciation or accumulated depreciation.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments sets forth the required financial reporting formats for local governments in accordance with generally accepted accounting principles. The Local Audit and Finance Division of the Michigan Department of Treasury responsible for overseeing local unit compliance has determined that omission of the Management's Discussion and Analysis, the Government-Wide Statements and/or Infrastructure Reporting will not result in any sanctions or remediation, as such the Authority has elected to omit these sections of the GASB 34 reporting format.

**JOINT CONSTRUCTION CODE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with the basis of accounting utilized by the Authority and state law for the special revenue fund. All annual appropriations lapse at fiscal year end.

The budget document presents information at the line item level. The legal level of budgetary control adopted by the board (i.e. the level at which expenditures may not legally exceed appropriations) is the line item level for the special revenue fund. State law requires the Authority to have its budget in place by April 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits the Authority to amend its budgets during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amount appropriated based on the level of control exercised over the adopted budget. Budgets are adopted on a line item level for the fund. Disclosure of all unfavorable appropriation variances based on the level of control exercised over the adopted budget is as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund:			
Building and Grounds:			
Office Supplies	\$ 984	\$ 1,016	\$ 32

A budget was prepared by the Authority for the Special Revenue Fund and amendments were made to the budget. Prior year actual amounts for revenue and expenses were included. Comparisons of actual expenditures and revenues to this budget are presented in Schedule 1.

NOTE 3 - CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are in one financial institution in the name of the Authority Treasurer. Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations. Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States; repurchase agreements consisting of bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States; bankers' acceptances of the United States banks; obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service; commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase; mutual funds registered under the investment company act of 1940, with the authority to purchase only investments by a public corporation; obligation described above if purchased through an inter-local agreement under the urban co-operations act of 1967, PA 7, MCL 124.501 to 124.512; investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118, and the investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. The Authority's deposits are in accordance with statutory authority.

**JOINT CONSTRUCTION CODE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Deposits

There is custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. At year-end, the carrying amount of the Authority's deposits with financial institutions was \$5,235 and the bank balance was \$6,381. The entire bank and carrying amounts of the Authority was covered by federal depository insurance.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations. As of year end, the Authority did not have any investments that would be subject to rating.

Interest Rate Risk

The Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Authority's cash requirements.

Concentrations of Credit Risk

The Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk

The Authority will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer of backer, by limiting investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Authority will do business in accordance with Board approved policy.

NOTE 4 - LOCAL UNIT'S INTEREST IN JOINT CONSTRUCTION CODE AUTHORITY

The local unit's interest in Joint Construction Code Authority is determined by the ratio of building permits issued for the preceding fiscal year in each local unit compared with the total building permits issued in all local units.

For the Joint Construction Code Authority year end March 31, 2007, Fremont, Rolland, Nottawa, Deerfield and Sherman's interest in Joint Construction Code Authority based on the above formula is 11%, 10%, 23%, 32%, and 24% respectively.

Each local unit is also responsible for their share of the budget which may not be covered by fees collected by the Authority. Such proportionate share shall be determined by the ratio of permits issued within each local unit compared with the total building permits issued in all local units for the fiscal year covered by said budget.

NOTE 5 - CONTINGENCIES

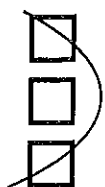
The Joint Construction Code Authority is subject to various legal proceedings arising in the course of providing services to the public. However, in the opinion of the Joint Construction Code Authority's attorney and management, the resolution of these matters may not have a material effect, if any, on the financial condition of the Joint Construction Code Authority.

REQUIRED SUPPLEMENTAL INFORMATION

**JOINT CONSTRUCTION CODE AUTHORITY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON STATEMENT - SPECIAL
REVENUE FUND
YEAR ENDED MARCH 31, 2007**

Schedule 1

	Original Budget	Final Amended Budget	Actual
Revenue			
Permit Fees	\$ 92,100	\$ 73,173	\$ 73,774
Clerical Fees	6,970	5,863	5,923
Interest Earnings	45	45	47
Miscellaneous	50	499	531
Total Revenue	99,165	79,580	80,275
Expenditures			
Board			
Salaries and Wages	2,400	2,160	2,160
Treasurer	960	960	960
Insurance (Multi-Peril)	4,800	5,130	5,130
Accounting and Legal	2,000	1,750	1,750
Publishing	100	32	32
FICA	160	156	156
Total Board	10,420	10,188	10,188
Inspection			
Wages	69,600	56,580	56,580
Education and Training	1,300	1,198	1,198
Membership	600	797	797
Insurance (Workers Compensation)	1,675	1,653	1,653
Travel	800	1,107	1,107
FICA	5,325	4,328	4,328
Total Inspection	79,300	65,663	65,663
Board of Appeals			
Salaries and Wages	300	-	-
Office Supplies	50	-	-
Travel	50	-	-
Total Board of Appeals	400	-	-
Building and Grounds			
Rent	6,000	6,000	6,000
Telephone	725	644	644
Misc.	-	-	-
Office Supplies	1,750	984	1,016
Total Building and Grounds	8,475	7,628	7,660
Total Expenditures	98,595	83,479	83,511
Excess Revenue Collected Over (Under)			
Expenditures Paid	570	(3,899)	(3,236)
Fund Balance - April 1	8,671	8,671	8,671
Fund Balance - March 31	\$ 9,241	\$ 4,772	\$ 5,435



PAGE

OLSON &

COMPANY P C

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

September 10, 2007

Authority Board
Joint Construction Code Authority
Township of Fremont, Rolland,
Nottawa, Deerfield, and Sherman
Isabella County, Michigan

We have recently completed our audit of the financial statements of Joint Construction Code Authority for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of Joint Construction Code Authority in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the representations of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

Authority Board
Joint Construction Code Authority
Township of Fremont, Rolland,
Nottawa, Deerfield, and Sherman
Isabella County, Michigan

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, and audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or irregularities. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

Auditing standards call for us to inform you regarding the initial selection of , and changes in, significant accounting policies or their application. In addition, we are expected to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is lack of authoritative guidance or consensus.

The Authority has chosen the cash basis presentation of its financial statements which is not in accordance with generally accepted accounting principles. Additionally the Authority has chosen to omit those items of GASB 34 that have been allowed by MCGAA No. 7. Please note that with the issuance of MCGAA No. 13, for the Authority's 2008 year end it will be necessary for the Authority to present modified accrual fund statements as well as accrual basis government wide statements in full compliance with GASB 34.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

During the course of the audit we had discussions with the office manager. He and the Treasurer were present at the presentation of SAS # 112 in which we discussed the impact of the standard on this report.

Authority Board
Joint Construction Code Authority
Township of Fremont, Rolland,
Nottawa, Deerfield, and Sherman
Isabella County, Michigan

**COMMENTS AND RECOMMENDATIONS REGARDING INTERNAL CONTROLS/
COMPLIANCE/EFFICIENCY**

In planning our audit of the financial statements of the Joint Construction Code Authority, as of and for the year ended March 31, 2007, in accordance with auditing standard generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing out auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management overrides of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Significant Deficiencies

Segregation of Duties (Repeated Comment)

Separation of duties between persons who authorize transactions and persons who have control over the related assets does not exist to the extent possible in larger entities with several employees involved in the accounting process.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increased the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of accounting duties substantially increases control over errors without duplication of effort.

The desired separation of duties cannot be achieved with only one employee involved. The careful and consistent oversight provided by the Authority Board appears to offset the inability to separate various accounting functions and should be continued. The Authority Board maintains monitoring of the current operations. Operating results are reviewed monthly which provides significant oversight for the inspection of any irregularities and discrepancies. The cost for additional staff to enable separation of duties is likely not economically justified and therefore, the Authority Board's oversight is assisting in this internal control function. Our finding is intended only to point out that this element of internal control separation of duties does not, and at present, cannot exist, as well as to remind the board that it's oversight and continued monitoring is a necessary and important function.

Authority Board
Joint Construction Code Authority
Township of Fremont, Rolland,
Nottawa, Deerfield, and Sherman
Isabella County, Michigan

**COMMENTS AND RECOMMENDATIONS REGARDING INTERNAL CONTROLS/
COMPLIANCE/EFFICIENCY (Continued)**

Significant Deficiencies (Continued)

Segregation of Duties (Repeated Comment) (Continued)

Authority's Response

The Authority is aware of this control deficiency, however it is not economically feasible to make changes to achieve text book segregation of duties. The Authority Board, however, performs oversight duties of all transactions, including approval of all disbursements and will continue this oversight to ensure that all transactions are valid and properly recorded in the general ledger.

Permits (Repeated Comment with Modification)

During testing of permits it was noted that there were instances where clerical errors in permit calculations resulted in the Authority not collecting revenues that were due to them. Greater care should be taken to ensure that all amounts collected are properly reflected on the individual line items of the permit and all amounts due are collected.

It was also noted that there were large and small gaps in the pre-numbered permit sequence for all permit types except the building permits due to the permits not being used in sequential order. It is recommended that a system be developed to account for the location and status of each permit in a timely and efficient manner to reduce the risk of possible of mis-use.

Authority's Response

The Authority intends to use greater care when preparing and calculating permits to ensure that all amounts due are collected and recorded. The Authority also intends to evaluate the procedures currently established for the use of permits and to modify the procedures as necessary to ensure that all permits are readily accounted for at all times.

Budget Requirements

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. It was noted during our audit that the Authority incurred expenditures in excess of the amount appropriated as noted in Note # 2 in the Notes to the Financial Statements.

Authority's Response

The Authority will take great care in monitoring the budget on a monthly basis to ensure that expenditures do not exceed appropriations as required by P.A. 2 of 1968, as amended.

A Material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

Authority Board
Joint Construction Code Authority
Township of Fremont, Rolland,
Nottawa, Deerfield, and Sherman
Isabella County, Michigan

**COMMENTS AND RECOMMENDATIONS REGARDING INTERNAL CONTROLS/
COMPLIANCE/EFFICIENCY (Continued)**

Material Weaknesses

Financial Accounting and Reporting

Management relies on the Authority's auditors to prepare the formal financial statements at fiscal year-end. Therefore, as part of our engagement to audit the financial statements, we draft the financial statements and the related footnotes for approval by management and the board. This is a conscious and practical approach to preparing the financial statements since the Authority has determined that the costs to establish internal controls over financial reporting and to develop the skills and knowledge of its personnel in preparing the financial statements is greater than the risk of misstatements occurring in the financial statements. However, as a result of recently issued professional standards, this situation meets the definition of a material weakness in internal control.

We considered this internal control deficiency in planning the scope of our audit procedures and believe that we have appropriately addressed the risk of any misstatements in the audited financial statements by specifically reviewing the audited financial statements with management. Therefore, due to the relative cost to eliminate the internal control deficiency over financial reporting related to the risks involved and considering the audit procedures performed to address the risk of misstatements in the audited financial statements, we do not recommend any actions to address this weakness at this time. However, we do recommend that management routinely review the internal controls in place to prepare financial reports to ensure accurate information is provided.

Authority's Response

The Authority understands that the Financial Statements of the Authority are the responsibility of management. Furthermore, when assessing the costs associated with establishing controls over formal financial reporting, the Authority has decided to rely on their auditor's for preparation of the financial statements. The Authority will routinely review the internal controls in place to prepare financial reports to ensure accurate information is provided.

We did not audit the Authority's responses and, accordingly, we express no opinion on it.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied to our audit of the Authority's financial statements and this communication of these matters does not affect our report on the Authority's financial statements, dated July 31, 2007.

SUMMARY

We would like to thank the Authority personnel and Officials for the cooperation we received from them throughout the course of the audit. We welcome any questions you may have regarding the foregoing comments, and we would be happy to discuss any of these or other questions that you might have at your convenience.

This communication is intended for the information of the members of the Authority Board, management, and the State of Michigan, and is not intended to be and should not be used by any one other than these specified parties.

Page, Olson & Company